

October 25, 2007

Reema Griffith  
Executive Director  
Washington State Transportation Commission  
2404 Chandler Court SW, Suite 270  
Olympia, WA 98502

Re: Phase I Washington State Ferry Finance Study, Proposed Scope of Services

Dear Ms. Griffith:

Thank you for requesting this proposal to conduct an initial analysis of long-term funding and financing options for the Washington State Ferry system. The proposed scope of services below reflects our understanding of your needs for this first phase of analysis and reporting. Our cost estimate and schedule assume a notice to proceed not later than November 1, 2007, with completion of essential reports and other documentation by January 31, 2008.

### *Phase I Project Objectives*

The State Transportation Commission is responding to legislative provisions to conduct a study to identify and evaluate long-term financing alternatives for the Washington State Ferry system. Phase I of this study is to consider the potential for state, regional, or local financing options and will help inform members of the Legislature regarding current funding capacity and potential alternative methods of supplementing or replacing current funding sources. It will build upon previous relevant work conducted by the State, and will evaluate the applicability of funding mechanisms used by other ferry system operators. This Phase I study will also incorporate, to the extent permitted by schedule requirements, the initial qualitative findings of the survey of Washington State Ferry system customers now underway. The results of this study will be used to develop a work plan and cost estimate for a second phase of analysis that will more fully assess the most viable funding mechanisms and present the Legislature with a range of options for implementation. Results of the second phase study are to be prepared by mid-December 2008, suggesting a prompt start-up of Phase I work.

### *Work Plan*

Cambridge Systematics (CS) proposes to conduct the following work steps to develop the requested report to the legislature, including a detailed work plan and cost estimate for the Phase II study and coordination with the customer survey effort.

#### Task 1. Legal and Regulatory Review

We will conduct a comprehensive review and assessment of current Washington laws and regulations related to transportation financing and taxing authority at the city, county, regional,

and state level. The purpose of this task is to more fully understand the current and potential future capacity of existing financing mechanisms and regulations within the State. As part of this review we propose to conduct a series of interviews with select agency staff to develop a profile of the key stakeholders in this discussion and their concerns and ideas. These interviews could include Commission staff and members, Washington DOT and State Ferries staff, Legislative staff and Governor's office staff. We will work with WSTC staff to refine this list of potential interviews and to arrange appointments as necessary. Additionally, we suggest that periodic interactions with the Commission subcommittee overseeing the finance study will be useful, and propose three such meetings over the period November 2007-January 2008 for this purpose, either by telephone or in person.

Following completion of this review and interview process we will prepare an internal memorandum of key findings and follow-up issues for review and discussion with Commission staff. Results of this work will be integrated into the final Phase I study report. The time frame of the study may place some constraints on the number of interviews that can be completed, as well as on the specific individuals we will be able to contact. We will strive to complete interviews with a representative cross-section of the key players in time to include results in our Task 1 memorandum. If some interviews spill over into January we will integrate those findings into the Phase I study after discussing with Commission staff.

#### Task 2. Review of Relevant Washington Finance Studies

We will conduct a review of past studies conducted by or for the State of Washington regarding transportation financing in general and ferry-specific financing as well. While we are familiar with much of the recent analysis and evaluation that has been conducted by Washington DOT and the State Transportation Commission, including the most recent Long-Term Transportation Financing Study, we will work with Commission staff and interviewees in Task 1 to identify the full body of relevant work specific to Washington State. We will prepare an internal memorandum for Commission staff review that summarizes the key findings and relevant data from these past studies, and which identifies the information gaps that need to be addressed in the Phase II finance study to support analysis of options more specific to the state ferry system.

#### 3. Ferry System Scan

CS will identify water transportation systems in several other states, and possibly in foreign countries, that may provide instructive examples of funding mechanisms, operating agreements, governance structures, and any particularly innovative strategies that have been used to address long-term financing needs. We will start with a long list of potential peer systems and conduct an initial scan to determine whether the information for a particular system is likely to be relevant and available. From this initial scan we will develop a short list of agencies and conduct more detailed follow-up to identify details of their funding, governance, and operating characteristics that may be of value in developing future options for Washington State to consider.

Potential candidates for the initial long list include systems in Alaska, the San Francisco Bay Area, Honolulu, Boston, New York, Florida, British Columbia, and Sydney, Australia. The findings of this scan will be summarized in an internal memorandum that identifies essential features of the different funding strategies and discusses potential applicability to Washington State. We do not expect this scan to generate any unusual expenses for out-of-area travel.

#### Task 4. Coordinate with Ferry Customer Survey

We will set aside a limited number of hours to ensure coordination of the Phase I finance study with the ongoing customer survey. If initial qualitative results are available in time, we can incorporate the relevant portions of those findings into our report to the Legislature. Beyond that, we will offer to coordinate with the customer survey project team to identify data needs related to financing that might be collected via the customer survey.

#### Task 5. Phase II Work Program and Cost Estimate

The results of the above four tasks will begin to identify the most promising strategies and mechanisms for future long-term funding of ferry operations. In the Phase I work we will be searching for examples of funding strategies that address the constraints placed on the ferry system by current funding authority, sources and regulations. This information will be used to develop a detailed Phase II work plan that fills remaining information gaps and fully addresses the objectives of the Legislative provision. This second phase of work will identify a menu of the most suitable, feasible funding options for sustainable ferry service, including the need to meet extraordinary expenses such as deferred maintenance or vessel replacement. New possibilities will be explored to expand the pool of available funds, including non-traditional sources outside of the typical fare, concession and tax-based sources. The Phase II analysis will permit the more detailed evaluation of the feasibility and revenue-generating capacity of these different mechanisms that is necessary to provide the Legislature with the information they need to define a course of action from among the options presented. The Phase II work scope will include identification of legislative or other regulatory actions required to implement new funding mechanisms. Phase II will also include more opportunities for integration of the ferry customer survey results into an assessment of the viability of potential financing options.

The product of this task will be a draft work plan, schedule, and estimate of resources required to carry out the Phase II study, including identification of any known risks to the proposed completion date of December, 2008.

#### Task 6. Summary Report and Presentation

CS will develop a draft summary report for Commission staff review that presents key findings of the above tasks. We will incorporate staff comments into a final version for your distribution to the State Legislature. If requested, CS will be available to deliver a summary presentation of findings to the appropriate Legislative committee and respond to questions about the Phase I results and the Phase II work plan.

### *Phase I Schedule*

We are ready to begin work on this project upon receipt of your written notice to proceed, and we assume initiation of work not later than November 1 in order to meet the overall schedule. Tasks 1 through 3 will be completed and documented in memorandum format by December 31, 2007. During the month of January 2008 we would expect to receive staff comments on those products and to develop the draft study report by mid-January. Pending timely receipt of comments from Commission staff, we will deliver a revised and final project report, including the proposed Phase II work plan, by January 31, 2008. We will be available to deliver a presentation if requested during February, with contract completion by February 29, 2008.

### *Phase I Cost Estimate*

We propose to conduct the above work plan for a not-to-exceed price of \$ 85,000.00. The attached budget estimate indicates labor hours and costs by the above six tasks, and estimated direct expenses. We suggest setting aside an additional \$15,000.00 as a contingency to allow CS to respond quickly to any requests for additional analysis, briefings, or other support that may be desired during the Legislative session. We would tap into the contingency funds only with your written approval to take on specific additional work tasks.

We are enthusiastic about conducting this work for the State Transportation Commission and look forward to receiving your approval of our proposal. We are ready to provide whatever additional cost proposal or work plan details are necessary to process a work order under the recently-executed on-call transportation studies services contract, Y-10307.

Sincerely,

CAMBRIDGE SYSTEMATICS, INC.



Steven M. Pickrell, P.E.  
Senior Vice President

SMP/1106-001

**Table 1. Washington State Ferry Finance Study, Phase I Price Proposal**

			Task 1 Legal/Regulatory Review & Interviews		Task 2 Finance Studies Review		Task 3 Ferry System Scan		Task 4 Customer Survey Coordination		Task 5 Phase II Work Program		Task 6 Summary Report & Presentation		Support - Contingency Only		Total	
Name	Labor Category	Rate	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars	Hours	Dollars
Direct Labor																		
Steve Pickrell	Project Manager	\$ 106.11	24	\$ 2,547	16	\$ 1,698	12	\$ 1,273	8	\$ 849	8	\$ 849	24	\$ 2,547	-	\$ -	92	\$ 9,763
Chris Wornum	Principal Economist	\$ 75.56	-	\$ -	8	\$ 604	4	\$ 302	4	\$ 302	-	\$ -	8	\$ 604	-	\$ -	24	\$ 1,812
Alan Meyers	Principal Port Planner	\$ 71.11	-	\$ -	-	\$ -	16	\$ 1,138	-	\$ -	-	\$ -	4	\$ 284	-	\$ -	20	\$ 1,422
Mark Chang	Associate	\$ 45.65	40	\$ 1,826	40	\$ 1,826	16	\$ 730	8	\$ 365	20	\$ 913	40	\$ 1,826	-	\$ -	164	\$ 7,486
Abigail Rolon	Sr. Professional	\$ 33.78	24	\$ 811	24	\$ 811	48	\$ 1,621	-	\$ -	4	\$ 135	16	\$ 540	-	\$ -	116	\$ 3,918
Regina Spier	Production Specialist	\$ 33.06	4	\$ 132	4	\$ 132	4	\$ 132	-	\$ -	4	\$ 132	16	\$ 529	-	\$ -	32	\$ 1,057
Direct Labor Subtotal			92	\$ 5,316	92	\$ 5,071	100	\$ 5,196	20	\$ 1,516	36	\$ 2,029	108	\$ 6,330	-	\$ -	448	\$ 25,458
Overhead (on Direct Labor)			175.00%	\$ 9,303		\$ 8,874		\$ 9,093		\$ 2,653		\$ 3,551		\$ 11,078		\$ -		\$ 44,552
Labor and Overhead Total				\$ 14,619		\$ 13,945		\$ 14,289		\$ 4,169		\$ 5,580		\$ 17,408		\$ -		\$ 70,010
Direct Expenses																		
Travel				\$ 1,963		\$ 1,963		\$ -		\$ -		\$ 1,448		\$ 758		\$ -		\$ 6,132
Postage and Shipping				\$ 25		\$ 25		\$ -		\$ -		\$ 25		\$ 50		\$ -		\$ 125
Graphics and Copying				\$ 25		\$ 25		\$ -		\$ -		\$ 25		\$ 100		\$ -		\$ 175
Telephone and Fax				\$ 25		\$ 25		\$ 25		\$ 25		\$ 25		\$ 25		\$ -		\$ 150
Other (Contingency funds for on-call support, optional)				\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ 15,000		\$ 15,000
Total Direct Expenses				\$ 2,038		\$ 2,038		\$ 25		\$ 25		\$ 1,523		\$ 933		\$ 15,000		\$ 21,582
Total Costs				\$ 16,657		\$ 15,983		\$ 14,314		\$ 4,194		\$ 7,103		\$ 18,341		\$ 15,000		\$ 91,592
Fixed Fee			33.00%	\$ 1,754		\$ 1,673		\$ 1,715		\$ 500		\$ 670		\$ 2,089		\$ -		\$ 8,401
TOTAL COST PLUS FEE			92	\$ 18,411	92	\$ 17,656	100	\$ 16,029	20	\$ 4,694	36	\$ 7,773	108	\$ 20,430	-	\$ 15,000	448	\$ 99,993

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